

Office of Inspector General
U.S. Department of State
U.S. Arms Control and Disarmament Agency
U.S. Information Agency, including
Broadcasting Board of Governors

Reports and Testimony

October-November 1998

Major Management Challenges Facing the Department of State

At the request of the Chairman of the International Operations Subcommittee of the Senate Foreign Relations Committee, the Inspector General submitted a statement for the record for a hearing on major management and budget challenges facing the Department of State. The hearing was held by the Senate Task Force on International Affairs Funding, which is comprised of Members of the Senate Budget Committee and Senate Foreign Relations Committee. The Inspector General's statement focused on areas of interest raised by the Senators at the hearing, including security oversight in light of the terrorist attacks in Africa earlier this year, overseas property management, information resource management including the Department's Year 2000 (Y2K) efforts, and the International Cooperative Administrative Support Services program.

Reports Issued by the Office of Audits

Audit Of U.S. Department Of State's 1997 Consolidated Financial Statements **(99-FM-003)**

The Government Management Reform Act requires OIG to express an opinion and obtain reasonable assurance that the Department's Consolidated Financial Statements were free of material misstatements. This audit was conducted to determine whether the Department had an internal control structure to meet its objectives and to ensure the Department's compliance with laws and regulations

OIG issued an unqualified opinion in the Department's 1997 Consolidated Financial Statements, verifying that the statements were free of material misstatements. Although an unqualified opinion is being issued for the 1997 Consolidated Financial Statements, the report brings to management's attention concerns with the security over the Department's domestic main frame computer; the inadequacy of internal controls over the management of unliquidated obligations; and the inadequacy of the Department's financial and accounting system, which is both an internal control weakness and an issue of noncompliance with several laws and regulations, including the Budget and Accounting Act of 1950, the Federal Managers' Financial Integrity Act, the Chief Financial Officers (CFO) Act, and the Federal Financial Management Improvement Act. OIG also brings to management's attention noncompliance with the GMRA

Reports Issued by the Office of Inspections¹

Embassy Singapore and U.S. Information Service Singapore **(ISP/I-98-44)**

Embassy Singapore is a cohesive, well-managed post despite a complex structure, broad regional responsibilities, and the presence in Singapore of six military units reporting through the Commander in Chief, U.S. Pacific Command (USCINCPAC). The new Ambassador and the departing deputy chief of mission (DCM) are justifiably given extremely high marks by the entire mission--cutting across lines of grade, function, and agency--for leadership, evenhandedness, and unstinting professional support. Senior management has excelled at articulating a shared policy vision and fostering an environment where cross-agency teamwork flourishes and parochialism withers. The mission has laid the foundation for more productive bilateral cooperation especially on military and law enforcement issues.

The mission has a proactive, highly visible program to support American business, spearheaded by the U.S. and Foreign Commercial Service (FCS). In addressing the regional financial problems and their effect on United States interests, the Ambassador broke new ground and old myths by assembling in Singapore eight fellow ambassadors from the region to meet with Commerce Secretary Daley and to develop perspectives and recommendations on the Asian financial crisis. The Office of Inspector General (OIG) regards the concept of a regional heads of mission mini-conference to be a “best practice” worthy of emulation.

Embassy Singapore is a pacesetter and model in utilization of the mission performance plan (MPP) process as a living management tool. Despite the Department’s guidance to posts on the revised MPP process for 1998 being both tardy and complex, embassy management made a vigorous effort to grasp and apply the new MPP guidelines. Its allocation of dollar values to policy and support areas yielded useful, sometimes counterintuitive, insights into the way human and material resources are deployed by the mission.

Much needed residential purchases and chancery access problems are real property issues facing the embassy. The chancery building cannot smoothly accommodate the daily flow of visitors. While the post and the Department are searching for solutions to avoid the long lines which spill onto the driveway, obstructing access for official visitors and staff, the post should institute administrative remedies to serve consular customers with less congestion at the chancery gate. Current real estate conditions make this an ideal time to acquire residences, particularly

larger units for families, because the forecast is for prices to bottom out by the end of 1998 after 2 years of downward adjustments of between 20 and 30 percent. The post and the Department (Office of Foreign Buildings Operations) are considering the sale of several pieces of property and freehold rights should take action now in close coordination with the Department, and the two should work together to determine the optimal actions.

Embassy Kuala Lumpur, Malaysia and U.S. Information Service Malaysia
(ISP/I-99-01)

Embassy Kuala Lumpur has experienced exceptionally high levels of stress and personnel turbulence, buffeted in the past 2 years by a unique confluence of political, economic, environmental, health, and personnel problems. The Ambassador's management style has caused discomfort among many mission members with what they see as an authoritarian style marked by intolerance of dissent. In several embassy sections OIG found a disposition to hunker down and take the path of least resistance, a tendency toward self-censorship, and an emphasis on lateral rather than vertical communication. Yet there is little evidence that these difficulties have materially affected the mission's overall performance in striving to meet policy goals.

The Ambassador has reoriented the mission focus to give greater relative policy weight to the development of defense and security ties, cooperation against transnational crime and environmental hazards, and to broadening political and strategic dialogue. Under his direction, the embassy has made considerable progress in these areas. Despite the Malaysian leadership's tendency to inveigh publicly against an alleged cultural, economic, and political threat posed by the United States and the West, striking—but low key—progress has actually been made on counternarcotics, intellectual property rights, anti-terrorism, and defense cooperation.

Reports Issued by the Office of Security and Intelligence Oversight²

Security Oversight Inspection of Embassy Nassau, The Bahamas **(SIO/I-99-01)**

Embassy Nassau is considered to be low threat, resulting in a mission that has had difficulty getting support to implement a security program to minimize its vulnerabilities.

Over the past 2 years, Embassy Nassau's regional security officer (RSO) has led the mission in a renewed security awareness program. With the recent assignment of an experienced assistant RSO, the mission now has ample professional security staff to complete implementation of the required post security programs and coordinate Department assistance or funding where needed. The security program has been strongly supported by the deputy chief of mission who is attempting to administer to the needs of a disparate official American community composed mainly of law enforcement personnel engaged in regional counternarcotics operations and regulatory inspections at international airports.